

Message Text

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PAGE 01 LISBON 03507 111713Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-10 L-03
NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 EB-08
COME-00 AGRE-00 OMB-01 TRSE-00 /075 W
-----072289 120425Z /23

R 111547Z MAY 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 5677
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION USNATO
DIA WASH DC
USCINCEUR VAIHINGEN GER
USNMR SHAPE BRUSSELS BEL
COMUSFORAZ

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E.O. 11652: N/A
TAGS: PINT, ECON, EFIN, PO
SUBJ: SOARES EMPHASIZES THE BRIGHT SIDE

SUMMARY: IN A MAY 10 ADDRESS TO THE NATION, PRIME MINISTER MARIO SOARES SOUGHT TO PROJECT A VISION OF A PORTUGUESE FUTURE WITHOUT FURTHER MAJOR ECONOMIC SACRIFICES. HE LOOKED WORN OUT AND WAS LESS THAN CONVINCING. HIS APPROACH DID LITTLE TO PREPARE THE POPULATION FOR THE IMPACT OF RECENT AND PERHAPS ADDITIONAL AUSTERITY MEASURES. END SUMMARY.

1.SOARES OPTIMISTIC: IN WHAT WAS BILLED AS A REPORT TO
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THE NATION ON THE PS/CDS GOVERNMENT'S FIRST THREE MONTHS IN OFFICE, PRIME MINISTER MARIO SOARES GAVE A MAY 10 TELEVISED ASSESSMENT OF PORTUGAL'S ECONOMIC AND POLITICAL PROSPECTS FOR THE COMING YEAR. AS A RESULT OF THE RECENT GOP-IMF AGREEMENT, SOARES SAID THE GOP COULD NOW FACE THE FUTURE WITH SOME CONFIDENCE, MAINTAIN ITS GOLD RESERVES, AND PRESERVE ITS NATIONAL SOVEREIGNTY AND INDEPENDENCE.

"WE CAN SEE A LIGHT OF HOPE AT THE END OF THE TUNNEL" HE SAID.

OTHER HIGHLIGHTS:

--NATIONAL ECONOMIC RECOVERY MUST BE BASED ON POLITICAL-MILITARY STABILITY. IN OTHER WORDS, THERE IS NO LEGITIMATE ALTERNATIVE TO THE PS/CDS GOVERNMENT BEFORE 1980. PS/CDS RELATIONS IN THE GOVERNMENT AND IN THE ASSEMBLY ARE EXCELLENT;
--REGIONAL AUTONOMY FOR THE AZORES AND MADEIRA IS A SERIOUS NATIONAL ISSUE WHICH SHOULD NOT BE FURTHER COMPLICATED BY PARTY POLITICAL PASSIONS OR SEPARATISTS SUPPORTED BY SECRET FOREIGN INTERESTS;
--PRICES OF CURRENT CONSUMER GOODS WILL NOT BE INCREASED FOR THE REMAINDER OF 1978. THERE WILL BE NO RATIONING OR LONG QUEUES FOR SCARCE GOODS;
--THE IMPLEMENTATION OF AGRARIAN REFORM LEGISLATION IN THE ALENTEJO WILL PROCEED, BUT AT A CAUTIOUS PACE SO AS NOT TO FUEL AGRICULTURAL UNEMPLOYMENT OR ITS ATTENDANT SOCIAL UNREST;
--AGRICULTURAL PRODUCTION IS ON THE UPSWING, AND IMPORTS WILL CONSEQUENTLY BE REDUCED;
--IMPLEMENTING LEGISLATION FOR COMPENSATION TO FORMER OWNERS OF NATIONALIZED AND EXPROPRIATED ASSETS WILL BE PRESENTED BY THE END OF MAY;
--WITH THE EXCEPTION OF TRANSPORTATION, PUBLIC SECTOR ENTERPRISES SHOW SIGNS OF FINANCIAL RECOVERY;
--WORKER ABSENTEEISM IS DOWN TO FIVE PERCENT, THE LOWEST IN EUROPE.

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4. COMMENT: SOARES WENT TO SOME LENGTHS TO EMPHASIZE THE STRENGTH OF THE NOW THREE-MONTH OLD PS/CDS AGREEMENT. HE LOOKED AND SOUNDED WORN OUT IN HIS EFFORT TO INSPIRE CALM AND CONFIDENCE. MORE IMPORTANTLY HIS OPTIMISM ON THE EFFECTS OF THE RECENT IMF AGREEMENT AND REFERENCES TO THE PROVERBIAL LIGHT AT THE END OF THE TUNNEL DID LITTLE TO PREPARE THE PUBLIC FOR THE IMPACT OF AUSTERITY MEASURES THE GOVERNMENT MUST TAKE IF PORTUGAL'S ECONOMIC AND FINANCIAL PROBLEMS ARE TO BE OVERCOME. THE PRIME MINISTER HAD HOPED TO PORTRAY AN IMAGE OF A CALM AND CONFIDENT GOVERNMENT LEADING THE COUNTRY OUT OF THE ECONOMIC SHADOWS. IT WAS, HOWEVER, AN UNCONVINCING PERFORMANCE PARTICULARLY HIS REFERENCE TO IMPROVED AGRICULTURAL PROSPECTS. ONE LOCAL POLITICAL CARTOON WIT POINTEDLY RESPONDED, "WHERE IS THE TUNNEL?"
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, POLITICAL STABILITY, SPEECHES, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 11 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LISBON03507
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780201-0694
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780570/aaaachdz.tel
Line Count: 110
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bc288ea0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2725130
Secure: OPEN
Status: NATIVE
Subject: SOARES EMPHASIZES THE BRIGHT SIDE SUMMARY: IN A MAY 10 ADDRESS TO THE NATION, PRIME MINISTER MARIO SOARES SOUGHT TO PROJECT A VISION OF A PORTUGAL
TAGS: PINT, ECON, EFIN, PO, (SOARES, MARIO)
To: STATE
Type: TE
vdkgwkey: odb://SAS/SAS.dbo.SAS_Docs/bc288ea0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014